



J. E. Perry, III
Retail & Wholesale Trade Marketing
Extension 4360

INTERCOMPANY MEMORANDUM

NESA ROU'S: PLEASE DISSEMINATE TO APPROPRIATE PERSONNEL WITHIN YOUR REGION.

DATE: December 4, 1997

TO: ALL NESA RSM's and AE's
ALL NESA AE's
ALL NESA KAM's
ALL NESA AM's
ALL NESA DM's

Sales		Retail
1221		1222
1222		1223
1223		1226
1224		1229
1225		ROM
1226		PC SC
1229		MC PA
1240	ALL	
1244	ALL	RSM RBM

SUBJECT: Competitive Activity/"Command Center" Procedures"

During the past several months, there has been much discussion and conversation about what steps need to be taken to prepare for a legislated/regulated environment relative to the merchandising of cigarettes.

We feel that we have a solid plan to address the "new world" environment and have provided you with an executable strategic plan to ensure our objectives are met.

We also know that the competition is going to be "hot" and we're confident that we have the tools and resources, most important of which is our people, to combat our competitors.

During the 1998 Plans Meetings, and in follow-up meetings, we outlined what we in the Trade Marketing Department call Key Planning Considerations, relative to what we think our competitors will do. Listed below are just a few:

- Our biggest competitor does not want the CTS channel to grow.
- Our biggest competitor is now, and will continue to invest furniture resources in outlets where product packaging can be leveraged as a new form of P.O.S. dominance. In addition, to control SKU mix to their advantage/minimize savings visibility.

51853 5863

December 4, 1997
Page Two

I am providing you with a copy of the "Solution Selling" advertorial, which Philip Morris is circulating to many of our customers. You may have seen this document previously. However, the KAM's and AM's in the NESA agreed that this document would have value to the entire team; in that, in addition to other issues, it addresses the points identified above. Furthermore, it helps you to understand the story that PM is telling to our retailers and enables you to utilize CAPS and other tools to develop rebuttals. Once again, it will be our obligation to convey to retailers that their decisions should be based on what's best for their entire business and consumers, not what's best for a single manufacturer. When this is done effectively and consistently, RJR wins, the retailer wins, the consumer wins!

Please utilize this document as you see fit.

We all agree that with many of the uncertainties that lie ahead of us as we approach a "new world" environment, it is critical that we share what's happening in your markets relative to competitive activities, what's working and what's not, along with any recommendations that you may have. Please send any "Command Center" information to me via the following medium:

E-mail: Perry, Jim; or
Regular Mail: Jim Perry (10801)
Trade Marketing (Rey-8)
R. J. Reynolds Tobacco Company
P.O. Box 2959
Winston-Salem, NC 27102-2959

I will ensure critical information is spread throughout the Sales Area and Company as necessary.

Sincerely,

Jim

J. E. Perry

JEP:mh

Attachment

cc: A. Cullip
D. Fitzgerald
L. O'Connor
D. Wilmesher

51853 5864